

CITY OF ALBION

Resolution # 2016-64

RESOLUTION TO SUPPORT UNIVERSAL INCOME TAX WITHHOLDING

- Whereas** At the time of enacting the City Income Tax Act (*Public Act 284 of 1964*)(CITA), a substantial majority of residents worked within their own city limits; however, demographic and census data show a substantial majority of residents of income tax-levying cities now work outside their home city;
- Whereas** CITA does not require employers situated outside of income tax-levying cities to withhold local tax from the paychecks of their employees who live in those cities and remit said resources to the jurisdictions;
- Whereas** Withholding is the most effective mechanism for income tax payments. Data show the city income tax collection rate is about 98 percent among taxpayers who are subject to withholding. Federal and state agencies have similar experience data.
- Whereas** Employers can help their employees to pay taxes through their withholding. Residents working outside our respective municipalities often fail to file income tax returns because they cannot pay the lump sum tax owed at the end of the year; employees would benefit from their employer withholding directly so they do not become delinquent and incur added penalty and interest;
- Whereas** Nearly all leaders of the 22 Michigan cities that levy an income tax agree that employers with annual payrolls of over \$500,000 and 10 or more employees should be required to withhold local income tax for employees residing in jurisdictions imposing a tax;
- Whereas** The proposed changes to state law would not raise income tax rates in any of the 22 cities with such a levy, but, rather, only seek to enhance overall collections and yield the locals' payment for services from residents who used them;
- Whereas** The proposed amendment to CITA would provide millions in additional income tax money for cities to expend on basic city services, including policing and fire protection;
- Whereas** The Michigan Department of Treasury supports this public policy endeavor, as does the Michigan Municipal League; **Now Therefore Be It**
- Resolved** That the honorable City Council of the City of Albion respectfully asks the Michigan Legislature to pass SB1127 to help all income tax-levying cities augment their collection rates; **Be It Further**
- Resolved** That Governor Rick Snyder expeditiously approve said legislation once it is presented to him for his signature into law; **and Be It Finally**
- Resolved** That a copy of this resolution be sent to Governor Snyder; legislative caucus leaders; members of the House and Senate Local Government committees; members of the House

and Senate Government Operations committees; members of the House Tax Policy Committee; and members of the Senate Finance Committee.

Council Member Barnes moved, supported by Council Member French, to approve the following resolution

I hereby certify that the above resolution was adopted on November 7, 2016, in a regular session of the Albion City Council, and this is a true copy of that resolution.

Ayes 7

Nays 0

Absent 0

Jill Domingo
Jill Domingo, Clerk

November 7, 2016

MICHIGAN LEGISLATURE(www.legislature.mi.gov)
 Printed on Monday, October 31, 2016
 Michigan Compiled Laws Complete Through PA 313 of 2016

Senate Bill 1127 (2016) rss

(Original Content Same As House Bill 4829)

Sponsor

Goeff Hansen

(click name to see bills sponsored by that person)

Categories

Individual income tax: city; Cities: income tax; Labor: hours and wages;

Individual income tax; city; reverse commuter withholding and administrative procedures for taxes administered by the state; require and revise. Amends secs. 6 & 9, ch. 1 & sec. 51, ch. 2 of 1964 PA 284 (MCL 141.506 et seq.).

Bill Documents

Bill Document Formatting Information

[X]

The following bill formatting applies to the 2015-2016 session:

- New language in an amendatory bill will be shown in **BOLD AND UPPERCASE**.
- Language to be removed will be ~~stricken~~.
- Amendments made by the House will be blue with square brackets, such as: [House amended text].
- Amendments made by the Senate will be red with double greater/lesser than symbols, such as: <<Senate amended text>>.

(gray icons indicate that the action did not occur or that the document is not available)

Documents



Senate Introduced Bill

Introduced bills appear as they were introduced and reflect no subsequent amendments or changes.



As Passed by the Senate

As Passed by the Senate is the bill, as introduced, that includes any adopted Senate amendments.



As Passed by the House

As Passed by the House is the bill, as received from the Senate, that includes any adopted House amendments.



Senate Enrolled Bill

Enrolled bill is the version passed in identical form by both houses of the Legislature.

Bill Analysis

History

(House actions in lowercase, Senate actions in UPPERCASE)

Date ▲	Journal	Action
10/20/2016 SJ 68 Pg. 1729		INTRODUCED BY SENATOR GOEFFREY HANSEN
10/20/2016 SJ 68 Pg. 1729		REFERRED TO COMMITTEE ON GOVERNMENT OPERATIONS

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SENATE BILL No. 1127

October 20, 2016, Introduced by Senator HANSEN and referred to the Committee on Government Operations.

A bill to amend 1964 PA 284, entitled
"City income tax act,"
by amending sections 6 and 9 of chapter 1 and section 51 of chapter 2 (MCL 141.506, 141.509, and 141.651), section 9 of chapter 1 as added by 1996 PA 478 and section 51 of chapter 2 as amended by 1982 PA 124.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

CHAPTER 1

Sec. 6. ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE uniform city income tax ordinance does not apply to a person or corporation as to whom or which it is beyond the power of the city to impose the tax ~~therein~~ provided for IN THIS ACT. AN EMPLOYER LOCATED IN THIS STATE THAT HAS AN EMPLOYEE WHO IS A RESIDENT OF A CITY THAT IMPOSES A CITY INCOME TAX PURSUANT TO THIS ACT IS SUBJECT TO THAT CITY'S WITHHOLDING PROVISIONS FOR THAT EMPLOYEE EVEN IF THE

1 EMPLOYER IS NOT DOING BUSINESS IN THAT CITY OR DOES NOT MAINTAIN AN
2 ESTABLISHMENT IN THAT CITY. HOWEVER, IF THAT EMPLOYER PAID
3 \$500,000.00 OR LESS IN TOTAL WAGES IN THE IMMEDIATELY PRECEDING
4 CALENDAR YEAR AND HAS FEWER THAN 10 EMPLOYEES, THAT EMPLOYER IS NOT
5 REQUIRED TO WITHHOLD TAXES FROM THAT EMPLOYEE PURSUANT TO THE
6 CITY'S WITHHOLDING REQUIREMENTS.

7 Sec. 9. (1) For the 1996 tax year and each year after 1996, a
8 city that imposes a city income tax pursuant to this act may enter
9 into an agreement with the department of treasury under which the
10 department of treasury shall administer, enforce, and collect the
11 city income tax on behalf of the city.

12 (2) City income taxes, interest, penalties, and collection
13 fees collected under an agreement entered into pursuant to
14 subsection (1) shall be kept in the city income tax trust fund and
15 shall be paid to the city, except that an amount of the taxes
16 collected as determined in the agreement may be retained by the
17 department of treasury to cover the cost of collection and
18 administration and that amount shall be deposited into the state
19 general fund. The department of treasury shall not charge to or
20 collect from a taxpayer any amount not otherwise authorized by law
21 in conjunction with the collection of city income tax pursuant to
22 an agreement entered into pursuant to this section.

23 (3) If the city enters into an agreement under subsection (1),
24 the agreement shall include provisions that relate to all of the
25 following:

26 (a) The development of and distribution of forms required by
27 the agreement and the ordinance under chapter 2.

- 1 (b) The processing of all payments.
- 2 (c) Enforcement procedures.
- 3 (d) Administrative and legal costs.
- 4 (e) Data exchange.
- 5 (f) Transfer and payment of funds.
- 6 (g) Termination of the agreement by either party.
- 7 (h) Any additional provisions as appropriate.

8 (4) IF THE CITY ENTERS INTO AN AGREEMENT UNDER SUBSECTION (1),
 9 THE DEPARTMENT SHALL ADMINISTER, ENFORCE, AND COLLECT THE CITY
 10 INCOME TAX ON BEHALF OF THE CITY PURSUANT TO 1941 PA 122, MCL 205.1
 11 TO 205.31. IF THE PROVISIONS OF 1941 PA 122, MCL 205.1 TO 205.31,
 12 AND THIS ACT OR ANY ORDINANCE OF THE CITY CONFLICT, THIS SUBSECTION
 13 APPLIES AND THE DEPARTMENT SHALL ADMINISTER THE TAX PURSUANT TO
 14 1941 PA 122, MCL 205.1 TO 205.31.

15 CHAPTER 2

16 Sec. 51. (1) An employer doing business or maintaining an
 17 establishment within the city shall withhold from each payment to
 18 the employer's employees on and after the effective date of this
 19 ordinance, AND AN EMPLOYER REQUIRED TO WITHHOLD UNDER SECTION 6 OF
 20 CHAPTER 1 SHALL WITHHOLD FROM EACH PAYMENT TO THE EMPLOYER'S
 21 EMPLOYEES WHO ARE RESIDENTS OF A CITY THAT IMPOSES A CITY INCOME
 22 TAX ON AND AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT
 23 ADDED THIS LANGUAGE, the tax on their compensation subject to the
 24 tax, after giving effect to exemptions, as follows:

- 25 (a) Residents.
- 26 (i) At a rate equal to the rate set by ordinance to be levied
- 27 against resident individuals under this ordinance, but not to

1 exceed 3%, of all compensation paid to the employee who is a
2 resident of the city, if the employee is not subject to withholding
3 in any other city levying the tax.

4 (ii) At a rate equal to the difference in the percentage rate
5 of tax on resident individuals as set by ordinance to be levied
6 under this ordinance less the percentage rate of tax levied by any
7 other city in which the employee works, on all compensation earned
8 by the resident in another city.

9 (b) Nonresidents. At a rate equal to the rate set by ordinance
10 to be levied under this ordinance on nonresidents but not to exceed
11 50% of the percentage rate imposed on resident individuals of the
12 compensation paid to the employee for work done or services
13 performed in the city designated by the employee as the employee's
14 predominant place of employment. The withholding rate shall be
15 applied to the percentage of the employee's total compensation
16 equal to the employee's estimated percentage of work to be done or
17 services to be performed in the city for that employer, but no
18 withholding shall be required if the estimated percentage of work
19 is less than 25%.

20 (2) An employer withholding the tax is deemed to hold the tax
21 as a trustee for the city.

22 (3) An employer who is required to withhold and who fails or
23 refuses to deduct and withhold is liable for the payment of the
24 amount required to be withheld. The liability shall be discharged
25 upon payment of the tax by the employee but the employer is not
26 relieved of penalties and interest provided in this ordinance for
27 this failure or refusal.